



West Midlands Pension Fund

Appendix A

# Internal Audit Plan 2021-2022



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# 1. Introduction

- 1.1 The purpose of internal audit is to provide the Director, Pensions Committee, Board and Section 151 Officer with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within the Fund. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating, and reporting to management on its adequacy and effectiveness.
- 1.2 The purpose of this document is to provide the Fund with an internal audit plan for the 2021-2022 financial year. This plan has been subject to Senior Management Team approval and individual audit dates and timings will be agreed with individual managers during the year, in compliance with Covid19 regulations.

# 2. Assessing the effectiveness of risk management and governance

- 2.1 The effectiveness of risk management and governance will be reviewed, where appropriate, annually, to gather evidence to support our opinion to the Director, Pensions Committee, Board and Section 151 Officer. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

# 3. Assessing the effectiveness of the system of control

- 3.1 In order to be adequate and effective, management should:

Establish and monitor the achievement of the Fund's objectives and facilitate policy and decision making.

Identify, assess and manage the risks to achieving the Fund's objectives.

Ensure the economical, effective and efficient use of resources.

Ensure compliance with established policies, procedures, laws and regulations.

Safeguard the Fund's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

Ensure the integrity and reliability of information, accounts and data.

The plan contained in this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

#### 4. The assessment of assurance needs - identifying the Fund's objectives and the associated risks

4.1 Internal audit should encompass the whole internal control system and not limited to only financial controls. The scope of internal audit work should reflect the key objectives of the Fund and the key risks it faces.

The following are the Fund's Core Objectives:

**P** Partnering for success

**R** Responsible asset owner, employer and local community partner

**I** Investing to increase capacity

**D** Drive efficiencies and cost savings

**E** Engage to improve outcomes for customers

4.2 These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control.

The Fund has identified the following key risks which may potentially impact on its ability to achieve its objectives:

#### **WMPF Key Risks: Details from latest risk register:**

<b>Risk Theme</b>	<b>Areas of Focus</b>
Pandemic	Covid 19
Regulatory	Scheme benefits, governance and oversight, investment strategy and implementation
Resources	People, operational costs
Operational	Increased workloads, failure by the Fund to deliver on its service plan objectives and priorities, cyber security, reliance on 3 <sup>rd</sup> party providers, information and data quality
Funding	Funding management, investment management, responsible investment, investment pooling
Reputational	Customer delivery, information management, failure to act on issues

## 5. The framework of assurance

5.1 The framework of assurance aims to satisfy an organisation that the risks to its objectives and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation. The assurance framework will comprise a variety of sources and not only the work of internal audit.

In addition, we work closely with our partner funds to ensure that the LGPSC Pool has an appropriate assurance framework. This includes membership of the Internal Audit Working Group.

We also work with the Fund's external auditors to share knowledge and audit information.

### Assessing the risk of auditable areas within the assurance framework

5.2 Risk is defined as "The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies."

(Source: Economist Intelligence Unit - Executive Briefing)

5.3 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

Materiality

Business impact

Audit experience

Risk

Potential for fraud

5.4 In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

## 6. Developing an internal audit plan

6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Fund's own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis.

6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year.

Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.

6.3 Included within the plan, in addition to audit days for field assignments are:

- a small contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
- an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various management meetings and committees etc.

## 7. Considerations required of the Pensions Committee, Board and senior management

Does the plan include all the areas which would be expected to be subject to internal audit?

Does the plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

## 8. How the internal audit service will be delivered

### **Resources required**

The audit plan will be delivered by the City of Wolverhampton Council's internal audit team.

### **Communication of results**

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

### **Staffing**

Employees are recruited, trained and provided with opportunities for continuing professional development and are sponsored to undertake relevant professional qualifications. All employees are subject to the Council's professional development process, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

### **Quality assurance**

All audit work undertaken is subject to robust quality assurance procedures as required by the Public Sector Internal Audit Standards.

### Combined assurance

We will work in conjunction with the company's external auditors and other assurance providers to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated.

## 9. Audit Services Plan 2021 - 2022

Service area	Audit Review Details	Assessment of Assurance Need / Audit Timing
Governance	<b>Implementation of Good Governance</b> To include assurance that the Fund has appropriate policies in place which adhere to the mandatory and best practice policies identified by the Pensions Regulator - good practice guidance.	Medium Q4 (subject to timing of guidance)
Governance	<b>People Management</b> Review of the Fund's workforce planning and people development including the use of data to inform management actions.	Medium Q2
Governance	<b>Business Continuity Plan</b> A review of the arrangements regarding monitoring and implementation of the business continuity plan as an aid to management.	High Q1
Governance/ Pension Services	<b>Covid19 Response</b> To ascertain the actions taken by the Fund in response to the Covid-19 pandemic. Giving assurance any system and operational changes were appropriately controlled and monitored. To include changes to customer engagement and the Fund as service provider not just as employer/office space. Also, the Governing bodies service – online meeting/training.	Medium Q1
Finance	<b>Contributions Monitoring</b> Review of development tools and actions (linked to the Pensions Administration Strategy review).	Medium Q3
Finance	<b>Payments</b> To give assurance over the financial controls and authorisation of finance processes and release of cash. To include death grants and transfers out sums (large sum payments).	High Q3

Pensions Services	<b>Covenants</b> To ensure the Fund has a robust framework to monitor and adjust covenants in accordance with the triennial valuation.	High Q3
Pensions Services	<b>Pensions Administration Strategy</b> This a key document within the Fund and sets out expectations for both the Fund and employers. This review will examine adherence to agreed areas of the PAS and achievement of key performance indicators.	High Q2
Operations	<b>Payroll</b> A full key financial system review of controls around routine payroll starters / leavers / adjustments/ monitoring and overall management.	Medium Q3
Operations	<b>Tracing and Investigation protocols</b> To review controls and procedures around tracing of pension leavers via the Cabinet Office's National Fraud Initiative and other external bodies, including adherence to data protection.	Medium Q2
Investments	<b>Investments review</b> Overall review of the management and controls regarding investments retained by the Fund.	High Q4
Fund wide review	<b>Follow up of previous year recommendations</b> Ensuring they have been implemented and embedded into Fund procedures where appropriate.	Medium Q3
LGPSC Pool	Participation in the <b>LGPSC Pool internal audit group</b> and review of key assurance documents to give assurance over pooling arrangements.	Ongoing throughout the year

#### Other Related Internal Audit Work

Counter Fraud	To oversee the Cabinet Office's National Fraud Initiative exercise on behalf of the Pension Fund and any other work relating to counter fraud as requested by management.
Contingency and Consultancy	Special projects, advice and assistance as and when required
Pensions / Board reports	The preparation of committee reports and attendance at committee
Management	The management of the internal audit function